Supreme Court, U.S.
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No. 98-851

In The

Supreme Court of the United States

October Term, 1998

REUTERS TELEVISION INTERNATIONAL, LIMITED;
VISNEWS INTERNATIONAL (USA), LIMITED;
REUTERS AMERICA HOLDINGS, INC.;
REUTERS AMERICA, INC.,

Petitioners,

v.

LOS ANGELES NEWS SERVICE,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

LOUIS P. PETRICH
(Counsel of Record)
ROBERT S. GUTIERREZ
LEOPOLD, PETRICH & SMITH
A Professional Corporation
2049 Century Park East, Suite 3110
Los Angeles, California 90067-3274
(310) 277-3333
and
PATRICIA DUNCAN
3000 West Alameda, Suite 124
Burbank, California 91523
(818) 840-3512
Attorneys for Petitioners

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
OR CALL COLLECT (402) 342-2831

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REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

Petitioners file this Reply Brief to respond to some confusing, and many mistaken, statements made in the Opposition Brief by respondent LANS.

I. THE ONLY EFFECT OF THE COURT OF APPEALS' HOLDING THAT LANS MAY RECOVER ITS ACTUAL DAMAGES "FLOWING FROM" THE "EXPLOITATION ABROAD" OF LANS' U.S. COPYRIGHTS IS AN IMPERMISSIBLE, EXTRATERRITORIAL EXTENSION OF U.S. COPYRIGHT LAWS

LANS apparently agrees that *if* the Ninth Circuit's opinion below attempts to apply U.S. copyright law abroad, such opinion would directly conflict with the controlling decisions of this Court. Opposition Brief ("Opp. Br."), at 5-7, 9.

The crucial issue then is whether the circuit court opinion which creates a general rule that the district court may award actual damages for *"exploitation abroad"* – which damages *flow from a direct infringement* in the U.S. – necessarily is an improper extraterritorial extension of U.S. law.

LANS' description of the facts is so garbled, and at times, inaccurate, that its brief confounds the necessary analysis. The record facts about each step giving rise to an actual or potential infringement are as follows:

1. **In New York City, On April 30, 1992, Defendant Visnews Made One Copy Of Each Work. Appendix To Petition ("App.") 56-57, 62.**

These are the only acts of *direct* infringement in the U.S. by any defendant. As to these acts, the district court found that LANS failed to prove it sustained any actual damages, at least *in the U.S.*, App. 23; *see* Petition, at 4 & n.1., and the finding was not challenged on appeal. *See* App. 3, 15 & n.8. The district court awarded, and the circuit court approved, $30,000 in statutory damages under 17 U.S.C. § 504(c)(1). App. 18-9, 66. These findings are not challenged.

2. **In New York City, On April 30, 1992, Defendant Visnews Transmitted[1] A Copy Of Each Copy Made In Step 1 To The Offices Of EBU In New York, Where They Were Copied By EBU. App. 56-57.**

EBU's conduct in making copies constituted *direct* infringement. App. 62; 17 U.S.C. § 106(1). But, EBU was not a defendant. Thus, liability was imposed on defendant Visnews by the district court under the doctrine of "contributory infringement" for *enabling* EBU to make its copies. App. 31, 32, 62. The district court found that LANS failed to show that it sustained any actual damages in the U.S. by reason of EBU making its copies, and thus

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[1] The district court held that the transmission was not a *public* performance or distribution and therefore was not actionable under 17 U.S.C. § 106(3) & (4). App. 62, 88. These rulings were not challenged by the court of appeals, nor are they challenged here.

awarded another $30,000 in statutory damages. App. 66. These rulings were affirmed on appeal. App. 20. Petitioners argued on appeal that the district court's finding of Visnews' liability for contributory infringement in Step 2 (App. 62) was inconsistent with that court's other finding (App. 59, ¶ 32, App. 63, ¶ 5) that LANS failed to prove that Visnews had acted wilfully. The court of appeals refused to consider this ground of appeal, mistakenly holding that the district court's finding that petitioners had waived the right to argue that Visnews and EBU were liable jointly and thus the number of infringements should be halved (App. 66) was a finding that petitioners had waived the right to challenge contributory infringement for the Step 2 acts. App. 20. Petitioners have not challenged that error in the Petition because it is irrelevant to the issues raised here regarding liability for Steps 3 and 4 below. LANS' Opposition Brief is thus mistaken to argue that the district court's waiver finding has a bearing on the contributory infringements relevant to Steps 3 and 4. *See* Opp. Br., at i, 15-6.

3. From New York, Using The Copies Made In Step 1, Defendant Visnews Electronically Transmitted Copies To Reuters In London. App. 3, 25.

The district court held that such transmission was not an act of *direct* infringement *in the United States*, under authority holding that infringement by electronic transmission did not occur until received – in this case, *outside the U.S.* App. 29, 62, citing *Allarcom Pay Television, Ltd. v. General Instrument Corp.*, 69 F.2d 381, 387 (9th Cir. 1995). The court of appeals affirmed this holding. App. 5.

3a. LANS Alleged That *In London*, Reuters Made Copies (Perhaps A *Direct* Infringement Under *Foreign* Law[2]). -

These are the acts which the district court held could not be subjected to U.S. copyright law. App. 25. Under existing precedent of this Court and various circuit courts, defendants could not be held liable as *contributory* infringers under U.S. law by reason of the acts in Step 1, *supra*, because the *direct* acts of infringement *abroad* which they enabled do not violate U.S. law. Petition, at 27-29; *cf. Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972) (no contributory liability for domestic acts that allow foreign acts not within scope of U.S. patent laws). The court of appeals below attempted to sidestep this conclusion by holding that its imposition of liability for "exploitation abroad" does not impose U.S. law on foreign acts, but simply allows computation of foreign damages "flowing from exploitation abroad of the domestic acts of infringement committed by defendants." App. 9. But this deft use of language only masks the reality. Imposing liability measured by "exploitation abroad" – especially in the face of an unchallenged finding that LANS cannot show that it has suffered any actual damages *in the U.S.* flowing from the acts in Steps 1 and 2 – can only be deemed an application of U.S. law extraterritorially, in direct conflict with this Court's decisions. *See* Petition, at 17-18.

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[2] Indeed, while the court of appeals had this case under submission, LANS served petitioner Reuters and third party EBU with a civil action in London alleging that *these acts* violated the laws of the United Kingdom. Petition, at 6, App. 81-85. LANS' Opposition fails to discuss these facts.

3b. *In Europe*, Reuters Transmitted Copies To Satellites Where They Were Available For Access By Station Subscribers[3] *Abroad*. App. 25, 56. *If* They Made Copies Or Broadcast Them To The Public, Any Such *Direct* Infringement(s) Would Occur Abroad *Under Foreign Law*.

The district court held that petitioners could not be held liable under U.S. law as *direct* infringers because the relevant direct infringements occurred abroad. Nor could petitioners be held as *contributory* infringers, although the enabling acts were committed in the U.S. under Steps 1 and 2 because the direct infringements which they enabled abroad were not themselves violations of U.S. law. App. 28-30, 61-62. The court of appeals attempted to avoid this result by suggesting that U.S. law is not given extraterritorial effect if the allowed damages will somehow flow only from the conduct in the U.S. App. 2, 8-9. But, the court of appeals conceded that all such damages would be restricted to and measured by the "exploitation abroad." App. 2, 9. Words cannot disguise the obvious violation of the territorial principle.

4. From New York, Using The Copies Made In Step 2, Third Party EBU Electronically Transmitted Copies To Reuters In Europe. App. 25.

The district court held that such transmission was not an act of *direct* infringement *in the United States*, under authority holding that the infringement did not occur

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[3] The district court found that Reuters' "subscribers" did *not* include members of the public. App. 25.

until received outside the U.S. App. 29, citing *Allarcom, supra*. The court of appeals affirmed this holding. App. 5.

4a. LANS Alleged That *In Europe*, Reuters Gave Copies To Some Of Its Station Subscribers (Perhaps A *Direct* Infringement Under *Foreign* Law). App. 25.

As explained under Step 3a, *supra*, any resulting *direct* infringement occurring would occur abroad, beyond the territorial limits of U.S. law. The fact that such conduct was *enabled* by conduct committed in the U.S. would not make the actors in the U.S. liable as *contributory* infringers because the acts to which they contributed occurred abroad.

4b. EBU Allegedly Transmitted Copies To Satellites Where They Were Available For Access By Station Subscribers *Abroad. If* They Made Copies Or Broadcast Them, The Subscribers Might Commit Acts Of *Direct* Infringement *Under Foreign Law*.

See discussion under Step 3b, *supra*.

II. LANS' CONCESSION THAT THE COURT OF APPEALS HELD THAT PETITIONERS SHOULD BE SUBJECTED TO AN AWARD OF ACTUAL DAMAGES MEASURED BY "EXPLOITATION ABROAD" "ENABLED" BY ACTS OCCURRING IN THE U.S. IS A CONCESSION THAT THE COURT OF APPEALS' DECISION IS IN DIRECT CONFLICT WITH THE CONTROLLING DECISION OF THIS COURT AND OF SEVERAL COURTS OF APPEAL

LANS does not dispute the Petition's showing that the ruling precedent of this Court – followed by several

courts of appeal – does not allow the imposition of liability for *contributory* infringement if the act which was enabled or encouraged itself does not violate U.S. copyright law. Petition, at 27-29.

Throughout its Opposition Brief, at i, 1-2, 6, 10-11, 14, LANS concedes that the court of appeals' decision would impose liability on petitioners because their acts – making copies in the U.S. and transmitting them abroad – *"enabled"* or *"allowed"* exploitation abroad. Indeed, that *is* what the court decided. App. 7.

LANS only disputes the legal conclusion whether petitioners' liability in such a situation may be imposed for a *direct* infringement or for *contributory* conduct. Opp. Br., at 16-18. But, if petitioners had only committed the *direct* acts of infringement found to have occurred in New York – Steps 1 and 2, *supra* – there would be *no damages abroad*, because there would have been no activity abroad. *No damages flowed from the making of the copies alone.* That is not only logical, but the district court found as a fact that LANS could not prove any actual damages arose in the U.S. from the domestic acts of copying. App. 44-45. This finding was not overturned by the court of appeals. App. 3 & n.3, 15.

To create actual damages abroad, there had to be *other direct infringements*: further reproduction, distribution, broadcasting. *Those acts all occurred abroad.* That is why the court of appeals states that *all foreign damages* relate to "exploitation abroad." App. 2, 9. The making of a copy in New York was a step in the process of enabling exploitation abroad, but the making of a copy in New York, while constituting a *direct* act of infringement in

New York *for domestic purposes*, constituted a *contributory* act with reference to any extraterritorial copying, distribution, broadcast or other "exploitation abroad." Because "exploitation abroad" does not constitute a violation of U.S. copyright law, defendants may not be held liable as contributory infringers even if those foreign damages – arising from foreign acts of infringement – were enabled by domestic acts.

III. CONTRARY TO LANS' SUGGESTION, THE TERRITORIAL RULE IS OFFENDED EVEN IF THE U.S. COPYRIGHT ACT IS APPLIED ONLY TO "EXPLOITATION ABROAD" THAT WAS ENABLED BY DEFENDANTS' ACTIVITIES IN THE U.S.

LANS' Opposition Brief, at 6-7, argues that the territorial principle is not offended so long as the U.S. action is only directed to the defendants who committed infringing acts in the U.S. that ultimately enabled infringing acts abroad. LANS argues that it is not suing defendants' subscribers around the world, that there is no possible clash of laws between nations and that the court of appeals' holding is beneficial because it allows litigation concerning world-wide dissemination in one forum. *Ibid.*

These arguments are in part factually unfounded, and otherwise ignore the purposes of the territorial rule. One commentator has identified at least five justifications for this Court's territorial presumption or rule: international law, international comity, choice of law principles, likely congressional intent and separation of powers considerations. Curtis A. Bradley, "Territorial Intellectual

Property Rights in an Age of Globalism", 37 *Va. J. Int'l L.* 505, 513-14 (1997).

Petitioners have shown that courts follow the territorial presumption to avoid even the possibility of conflicts of law. Important copyright law and policy differences occur from one jurisdiction to another. *See* Petition, at 12-15. Applying U.S. law to "exploitation abroad" not only creates possible conflicts, but also subjects the same defendants to multiple and inconsistent judgments. Petition, at 13-15; *see Computer Assoc. Intl., Inc. v. Altai, Inc.*, 126 F.3d 365, 371 (2d Cir. 1997), *cert. denied*, 140 L.Ed.2d 814, 118 S.Ct. 1676 (1998) (prior copyright infringement suit in U.S. under U.S. law is not collateral estoppel in subsequent suit for same allegedly infringing activity applying French law). This case presents such an example, where LANS is suing Reuters to collect damages under U.S. law in this case, and under the laws of the United Kingdom in its London action, *measured by the same acts in the U.K. of "exploitation abroad"*. *See* note 2, *supra*. Regarding the need for a convenient forum, petitioners have shown that the U.S. may provide the forum, but foreign activities must be governed by foreign copyright laws. Petition, at 24-25.

IV. CONCLUSION

For all the foregoing reasons, the petition for the writ of certiorari ought to be granted.

Respectfully submitted,

LOUIS P. PETRICH
Counsel of Record
ROBERT S. GUTIERREZ
LEOPOLD, PETRICH & SMITH
A Professional Corporation
2049 Century Park East, Suite 3110
Los Angeles, CA 90067-3274
(310) 277-3333

Attorneys for Petitioners

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